

DEPT. OF TREASURY  
TOWNSHIP OF MITCHELL  
Alcona County, Michigan  
JUL 20 2004  
01-1110  
CAL. ADP. & FIN. MGR.  
GENERAL PURPOSE FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION

Year Ended March 31, 2004

## AUDITING PROCEDURES REPORT

Issue under P.A. 2 of 1968, as amended. Filing is mandatory.

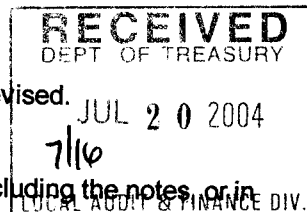
<b>Local Government Type</b> <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		<b>Local Government Name</b> Township of Mitchell	<b>County</b> Alcona
<b>Audit Date</b> March 31, 2004	<b>Opinion Date</b> June 10, 2004	<b>Date Accountant Report Submitted to State:</b> June 10, 2004	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations



You must check the applicable box for each item below.

- |   |  |
|---|--|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.  |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).   |
| <input checked="" type="checkbox"/> yes <input type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.  |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).  |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent distributing tax revenues that were collected for another taxing unit.   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during they year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).  |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).   |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

<b>Certified Public Accountant (Firm Name)</b> Campbell, Kusterer & Co., P.C.			
<b>Street Address</b> 512 N. Lincoln, Suite 100, P.O. Box 686	<b>City</b> Bay City	<b>State</b> MI	<b>Zip</b> 48707
<b>Accountant Signature</b> Campbell, Kusterer & Co., P.C.			

TOWNSHIP OF MITCHELL  
Alcona County, Michigan

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# CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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## INDEPENDENT AUDITOR'S REPORT

June 10, 2004

To the Township Board  
Township of Mitchell  
Alcona County, Michigan

We have audited the accompanying general purpose financial statements of the Township of Mitchell, Alcona County, Michigan, as of March 31, 2004, and for the year then ended, as listed in the table of contents. These general purpose financial statements are the responsibility of the Township of Mitchell's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Township of Mitchell, Alcona County, Michigan, as of March 31, 2004, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States.

Our audit was conducted for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the general purpose financial statements of the Township of Mitchell, Alcona County, Michigan. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

*Campbell, Kusterer & Co., P.C.*

CAMPBELL, KUSTERER & CO., P.C.  
Certified Public Accountants

TOWNSHIP OF MITCHELL  
Alcona County, Michigan

COMBINED BALANCE SHEET – ALL FUND TYPES AND ACCOUNT GROUPS

March 31, 2004

EXHIBIT A

	<u>Governmental Fund Types</u>		<u>Fiduciary Fund Type</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Agency</u>
<u>Assets</u>			
Cash in bank	195 929 31	26 765 30	79 513 74
Taxes receivable	3 459 61	3 678 90	-
Due from other funds	38 772 20	40 741 54	-
Land and buildings	-	-	-
Equipment	-	-	-
Total Assets	<u>238 161 12</u>	<u>71 185 74</u>	<u>79 513 74</u>
<u>Liabilities and Fund Equity</u>			
Liabilities:			
Due to other funds	-	-	79 513 74
Total liabilities	-	-	<u>79 513 74</u>
Fund equity:			
Investment in general fixed assets	-	-	-
Fund balances:			
Unreserved:			
Undesignated	<u>238 161 12</u>	<u>71 185 74</u>	-
Total fund equity	<u>238 161 12</u>	<u>71 185 74</u>	-
Total Liabilities and Fund Equity	<u>238 161 12</u>	<u>71 185 74</u>	<u>79 513 74</u>

The accompanying notes are an integral part of these financial statements.

Account Groups		Total
General Fixed Assets	General Long- Term Debt	(Memorandum Only)
-	-	302 208 35
-	-	7 138 51
-	-	79 513 74
173 842 91	-	173 842 91
<u>79 059 41</u>	<u>-</u>	<u>79 059 41</u>
<u>252 902 32</u>	<u>-</u>	<u>641 762 92</u>
-	-	79 513 74
<u>-</u>	<u>-</u>	<u>79 513 74</u>
252 902 32	-	252 902 32
-	-	309 346 86
<u>252 902 32</u>	<u>-</u>	<u>562 249 18</u>
<u>252 902 32</u>	<u>-</u>	<u>641 762 92</u>

TOWNSHIP OF MITCHELL  
Alcona County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES – ALL GOVERNMENTAL FUND TYPES

Year Ended March 31, 2004

EXHIBIT B  
Page 1

	<u>Governmental Fund Types</u>		Total (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Revenues:			
Property taxes	26 575 96	44 420 44	70 996 40
Other taxes	6 304 09	-	6 304 09
Licenses and permits	1 372 00	-	1 372 00
State revenue sharing	26 393 00	-	26 393 00
Charges for services – PTAF	16 066 51	-	16 066 51
Charges for services – fire	-	3 908 00	3 908 00
Charges for services – cemetery	950 00	-	950 00
Interest	1 718 00	247 68	1 965 68
Rents and royalties	1 141 87	-	1 141 87
Miscellaneous	6 087 85	5 049 91	11 137 76
Total revenues	<u>86 609 28</u>	<u>53 626 03</u>	<u>140 235 31</u>
Expenditures:			
Legislative:			
Township Board	2 800 00	-	2 800 00
General government:			
Supervisor	2 596 01	-	2 596 01
Assessor	12 000 00	-	12 000 00
Clerk	4 067 44	-	4 067 44
Board of Review	600 31	-	600 31
Treasurer	11 816 24	-	11 816 24
Building and grounds	14 495 25	-	14 495 25
Cemetery	750 00	-	750 00
Unallocated	6 408 49	-	6 408 49
Public safety:			
Fire protection	-	30 488 78	30 488 78
Planning and zoning	1 844 05	-	1 844 05
Public works:			
Highways and streets	18 890 63	-	18 890 63
Recreation and culture:			
Parks and recreation	1 540 00	-	1 540 00
Other:			
Insurance	10 360 00	-	10 360 00
Pension	3 069 70	-	3 069 70

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF MITCHELL  
Alcona County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES – ALL GOVERNMENTAL FUND TYPES  
Year Ended March 31, 2004

EXHIBIT B  
Page 2

	<u>Governmental Fund Types</u>		<u>Total</u>
	<u>General</u>	<u>Special</u>	<u>(Memorandum</u>
		<u>Revenue</u>	<u>Only)</u>
Expenditures: (continued)			
Capital outlay	-	11 000 00	11 000 00
Debt service	-	22 119 41	22 119 41
Total expenditures	<u>91 238 12</u>	<u>63 608 19</u>	<u>154 846 31</u>
Excess (deficiency) of revenues over expenditures	(4 628 84)	(9 982 16)	(14 611 00)
Fund balances, April 1	<u>242 789 96</u>	<u>81 167 90</u>	<u>323 957 86</u>
Fund Balances, March 31	<u>238 161 12</u>	<u>71 185 74</u>	<u>309 346 86</u>

The accompanying notes are an integral part of these financial statements.



TOWNSHIP OF MITCHELL  
Alcona County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL  
GENERAL AND SPECIAL REVENUE FUNDS  
Year Ended March 31, 2004

EXHIBIT C  
Page 1

	<u>General Fund</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Revenues:			
Property taxes	25 662 93	26 575 96	913 03
Other taxes	5 000 00	6 304 09	1 304 09
Licenses and permits	1 000 00	1 372 00	372 00
State revenue sharing	25 000 00	26 393 00	1 393 00
Charges for services – PTAF	14 844 55	16 066 51	1 221 96
Charges for services – fire	-	-	-
Charges for services – cemetery	800 00	950 00	150 00
Interest	-	1 718 00	1 718 00
Rents and royalties	700 00	1 141 87	441 87
Miscellaneous	<u>300 00</u>	<u>6 087 85</u>	<u>5 787 85</u>
Total revenues	<u>73 307 48</u>	<u>86 609 28</u>	<u>13 301 80</u>
Expenditures:			
Legislative:			
Township Board	2 400 00	2 800 00	400 00
General government:			
Supervisor	2 350 00	2 596 01	246 01
Elections	500 00	-	(500 00)
Assessor	13 500 00	12 000 00	(1 500 00)
Clerk	4 300 00	4 067 44	(232 56)
Board of Review	1 000 00	600 31	(399 69)
Treasurer	13 800 00	11 816 24	(1 983 76)
Building and grounds	15 950 00	14 495 25	(1 454 75)
Cemetery	1 000 00	750 00	(250 00)
Unallocated	9 250 00	6 408 49	(2 841 51)
Public safety:			
Fire protection	-	-	-
Planning and zoning	1 800 00	1 844 05	44 05
Public works:			
Highways and streets	20 000 00	18 890 63	(1 109 37)
Recreation and culture:			
Parks and recreation	2 000 00	1 540 00	(460 00)

The accompanying notes are an integral part of these financial statements.

Special Revenue Fund

<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
42 895 99	44 420 44	1 524 45
-	-	-
-	-	-
-	-	-
-	-	-
5 000 00	3 908 00	(1 092 00)
-	-	-
-	247 68	247 68
-	-	-
-	<u>5 049 91</u>	<u>5 049 91</u>
<u>47 895 99</u>	<u>53 626 03</u>	<u>5 730 04</u>
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
24 250 00	30 488 78	6 238 78
-	-	-
-	-	-
-	-	-

TOWNSHIP OF MITCHELL  
Alcona County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL  
GENERAL AND SPECIAL REVENUE FUNDS  
Year Ended March 31, 2004

EXHIBIT C  
Page 2

	<u>General Fund</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Expenditures: (continued)			
Other:			
Insurance	9 000 00	10 360 00	1 360 00
Pension	4 000 00	3 069 70	(930 30)
Contingency	4 000 00	-	(4 000 00)
Capital outlay	900 00	-	(900 00)
Debt service	-	-	-
Total expenditures	<u>105 750 00</u>	<u>91 238 12</u>	<u>(14 511 88)</u>
Excess (deficiency) of revenues over expenditures	(32 442 52)	(4 628 84)	27 813 68
Fund balances, April 1	<u>37 965 10</u>	<u>242 789 96</u>	<u>204 824 86</u>
Fund Balances, March 31	<u>5 522 58</u>	<u>238 161 12</u>	<u>232 638 54</u>

The accompanying notes are an integral part of these financial statements.

Special Revenue Fund

<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
-	-	-
-	-	-
10 000 00	-	(10 000 00)
8 000 00	11 000 00	3 000 00
<u>11 009 00</u>	<u>22 119 41</u>	<u>11 110 41</u>
<u>53 259 00</u>	<u>63 608 19</u>	<u>10 349 19</u>
(5 363 01)	(9 982 16)	(4 619 15)
<u>16 522 52</u>	<u>81 167 90</u>	<u>64 645 38</u>
<u>11 159 51</u>	<u>71 185 74</u>	<u>60 026 23</u>

TOWNSHIP OF MITCHELL  
Alcona County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2004

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Township of Mitchell, Alcona County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

In accordance with the provisions of the Governmental Accounting Standards Board's Statement No. 14 "The Financial Reporting Entity," the general purpose financial statements of the Township contain all the Township funds and account groups that are controlled by or dependent on the Township's executive or legislative branches.

The reporting entity is the Township of Mitchell. The Township is governed by an elected Township Board. As required by generally accepted accounting principles, these financial statements present the Township as the primary government.

Basis of Presentation

The financial activities of the local unit are recorded in separate funds and account groups, categorized and described as follows:

General Fund

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Special Revenue Fund

This fund is used to account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions.

Fiduciary Fund

The Current Tax Collection Fund is used to account for assets held as an agent for others.

Account Groups

TOWNSHIP OF MITCHELL  
Alcona County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

Note 1 – Summary of Significant Accounting Policies (continued)

General Fixed Assets Account Group

This account group presents the fixed assets of the local unit utilized in its general operations.

General Long-Term Debt Account Group

This account group presents the balance of general obligation long-term debt which is not recorded in other funds.

Measurement Focus/Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present revenues and other financing sources and, expenditures and other financial uses in net current assets.

The modified accrual basis of accounting is followed by the governmental fund types. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual which is both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures, other than principal and interest on long-term debt, are recorded when the related fund liability is incurred, if measurable. Principal and interest on general long-term debt is recognized when due.

Revenues from local sources consist primarily of property taxes. Property taxes and revenues received from the State are recognized when susceptible to accrual. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned since they are measurable and available.

Property Taxes

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

TOWNSHIP OF MITCHELL  
Alcona County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2004

Note 1 – Summary of Significant Accounting Policies (continued)

Property Taxes (continued)

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls. The Township 2003 tax roll millage rate was 1.5162 mills, and the taxable value was \$46,855,343.00.

Fixed Assets

Purchases of fixed assets for all funds are recorded as expenditures in their respective funds at the time of purchase. They are also recorded at cost in the General Fixed Assets Group of Accounts as required by generally accepted accounting principles.

Investments

Investments are stated at market.

Receivables

Receivables have been recognized for all significant amounts due to the Township. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

Compensated Absences (Vacation and Sick Leave)

Township employees are not allowed to accumulate vacation and sick pay and therefore no accumulated amount is recorded in the financial statements.

Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these general purpose financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.

TOWNSHIP OF MITCHELL  
Alcona County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2004

Note 1 – Summary of Significant Accounting Policies (continued)

Budgets and Budgetary Accounting (continued)

2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Township Board.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these general purpose financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

Postemployment Benefits

The Township provides no postemployment benefits to past employees.

Note 2 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States



TOWNSHIP OF MITCHELL  
Alcona County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

Note 2 – Deposits and Investments (continued)

banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township Board has designated one bank for the deposit of Township funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Township's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>302 208 35</u>
Amounts in the bank balances are without considering deposits in transit or uncleared checks.	
	<u>Bank Balances</u>
Insured (FDIC)	200 000 00
Uninsured and Uncollateralized	<u>103 236 87</u>
Total Deposits	<u>303 236 87</u>

The Township of Mitchell did not have any investments as of March 31, 2004.

TOWNSHIP OF MITCHELL  
Alcona County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2004

Note 3 – Changes in General Fixed Assets

A summary of changes in general fixed assets follows:

	<u>Balance 4/1/03</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 3/31/04</u>
Land and buildings	173 842 91	-	-	173 842 91
Equipment	<u>68 060 41</u>	<u>11 000 00</u>	<u>1 00</u>	<u>79 059 41</u>
Total	<u>241 903 32</u>	<u>11 000 00</u>	<u>1 00</u>	<u>252 902 32</u>

Note 4 – Changes in General Long-Term Debt

A summary of changes in general long-term debt follows:

	<u>Balance 4/1/03</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 3/31/04</u>
Contract Payable – Fire Building	<u>20 520 75</u>	<u>-</u>	<u>20 520 75</u>	<u>-</u>

Note 5 – Contract Payable – Fire Building

On June 14, 2001, the Township obtained a loan in the amount of \$29,774.00 for the purpose of funding part of the cost of a new fire building. The loan was repayable in three annual payments of \$11,109.77 including interest at the rate of 5.45% per annum. During the year ended March 31, 2004, the loan was paid in full and it was recorded in the General Long-Term Debt Account Group.

Note 6 – Interfund Receivables and Payables

The amounts of interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
Fire General	40 741 54 <u>38 772 20</u>	Current Tax Collection	79 513 74
Total	<u>79 513 74</u>	Total	<u>79 513 74</u>

TOWNSHIP OF MITCHELL  
Alcona County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2004

Note 7 – Budget Variances

During the fiscal year ended March 31, 2004, Township expenditures exceeded the budgeted amounts in several activities as follows:

	<u>Total Budget</u>	<u>Total Expenditures</u>	<u>Excess Expenditures</u>
General Fund Activity:			
Township Board	2 400 00	2 800 00	400 00
Supervisor	2 350 00	2 596 01	246 01
Planning and zoning	1 800 00	1 844 05	44 05
Insurance	9 000 00	10 360 00	1 360 00
Fire Fund Activity:			
Fire protection	24 250 00	30 488 78	6 238 78
Capital outlay	8 000 00	11 000 00	3 000 00
Debt Service	11 009 00	22 119 41	11 110 41

Note 8 – Deferred Compensation Plan

The Township does not have a deferred compensation plan.

Note 9 – Pension Plan

The Township has a defined contribution pension plan covering all elected officials. The Township contributes a percentage of each covered employee's wages to the plan. Pension expense for the fiscal year ended March 31, 2004, was \$3,869.20.

Note 10 – Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for property loss, torts, and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 11 – Building Permits

The Township of Mitchell does not issue building permits. Building permits are issued by the County of Alcona.

TOWNSHIP OF MITCHELL  
Alcona County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2004

Note 12 – Total Columns on Combined Statements--Overview

The total columns on the combined financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation, because interfund eliminations have not been made in the aggregation of this data.

TOWNSHIP OF MITCHELL  
Alcona County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT  
Year Ended March 31, 2004

EXHIBIT D  
Page 1

Township Board:	
Wages	<u>2 800 00</u>
Supervisor:	
Salary	2 000 00
Miscellaneous	<u>596 01</u>
	<u>2 596 01</u>
Assessor:	
Contracted services and expenses	<u>12 000 00</u>
Clerk:	
Salary	3 600 00
Miscellaneous	<u>467 44</u>
	<u>4 067 44</u>
Board of Review:	
Wages	<u>600 31</u>
Treasurer:	
Salary	10 000 00
Miscellaneous	<u>1 816 24</u>
	<u>11 816 24</u>
Building and grounds:	
Repairs and maintenance	9 960 48
Utilities	<u>4 534 77</u>
	<u>14 495 25</u>
Cemetery:	
Wages	<u>750 00</u>
Unallocated:	
Legal	400 00
Printing and publishing	876 11
Supplies	307 97
Payroll taxes	1 660 68
Miscellaneous	<u>3 163 73</u>
	<u>6 408 49</u>
Planning and zoning:	
Wages	<u>1 844 05</u>
Highways and streets:	
Contracted services	<u>18 890 63</u>
Parks and recreation:	
Repairs and maintenance	<u>1 540 00</u>

TOWNSHIP OF MITCHELL  
Alcona County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT  
Year Ended March 31, 2004

EXHIBIT D  
Page 2

Insurance	<u>10 360 00</u>
Pension	<u>3 069 70</u>
Total Expenditures	<u>91 238 12</u>

TOWNSHIP OF MITCHELL  
Alcona County, Michigan

CURRENT TAX COLLECTION FUND  
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
Year Ended March 31, 2004

EXHIBIT E

	<u>Balance</u> <u>4/1/03</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>3/31/04</u>
<u>Assets</u>				
Cash in bank	78 486 40	1 498 106 79	1 497 079 45	79 513 74
Total Assets	<u>78 486 40</u>	<u>1 498 106 79</u>	<u>1 497 079 45</u>	<u>79 513 74</u>
<u>Liabilities</u>				
Due to other funds	78 486 40	79 513 74	78 486 40	79 513 74
Due to others	-	1 418 593 05	1 418 593 05	-
Total Liabilities	<u>78 486 40</u>	<u>1 498 106 79</u>	<u>1 497 079 45</u>	<u>79 513 74</u>

TOWNSHIP OF MITCHELL  
Alcona County, Michigan

CURRENT TAX COLLECTION FUND  
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS  
Year Ended March 31, 2004

EXHIBIT F

Cash in bank – beginning of year	<u>78 486 40</u>
Cash receipts:	
Current property tax	1 483 207 34
Animal licenses	97 00
Property tax administration fees	<u>14 802 45</u>
Total cash receipts	<u>1 498 106 79</u>
Total beginning balance and cash receipts	<u>1 576 593 19</u>
Cash disbursements:	
Township General Fund	39 795 26
Township Fire Fund	38 691 14
Alcona County	485 246 86
Fairview Area School	791 904 36
Kirtland Community College	99 870 10
C.O.O.R. Intermediate School District	39 064 87
Refunds	<u>2 506 86</u>
Total cash disbursements	<u>1 497 079 45</u>
Cash in Bank – End of Year	<u><u>79 513 74</u></u>



# **CAMPBELL, KUSTERER & CO., P.C.**

CERTIFIED PUBLIC ACCOUNTANTS

MARK J. CAMPBELL, CPA  
KENNETH P. KUSTERER, CPA

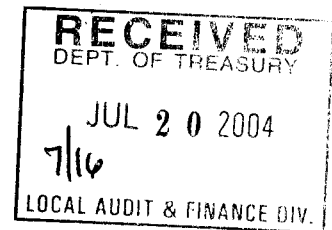
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## **AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS**

June 10, 2004

To the Township Board  
Township of Mitchell  
Alcona County, Michigan



We have audited the financial statements of the Township of Mitchell, for the year ended March 31, 2004. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

### **AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES**

We conducted our audit of the financial statements of the Township of Mitchell in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

To the Township Board  
Township of Mitchell  
Alcona County, Michigan

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

### **SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies are described in Note 1 to the financial statements.

### **OTHER COMMUNICATIONS**

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

To the Township Board  
Township of Mitchell  
Alcona County, Michigan

### **GASB 34 IMPLEMENTATION**

The Governmental Accounting Standards Board issued a new reporting model for governmental units which is to be implemented over the next few years. The implementation date of this pronouncement for the Township of Mitchell will begin with the year ended March 31, 2004, and will need to be implemented fully by March 31, 2005. The daily operations and recording transactions should not change significantly, however, the Township will be required to maintain additional records for the year end adjustments to the final presentation format.

### **COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY**

Our procedures disclosed the following conditions that we would like to bring to your attention:

#### **SEGREGATION OF DUTIES**

A separation of duties between persons who authorize transactions and persons who have control over the related assets does not always exist.

The least desirable accounting system is one in which an employee is responsible for executing the transaction and then recording the transaction from its origin to its ultimate posting in the General Ledger. This increases the likelihood that intentional or unintentional errors will go undetected. In most cases, adequate segregation of duties substantially increases control over errors without duplication of effort.

We understand that due to the size of needed staff, a proper segregation of duties may be impractical and the "cost to benefit" relationship may not justify the addition of accounting staff to accomplish the desired segregation.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements, dated March 31, 2004.

#### **SUMMARY**

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

*Campbell, Kusterer & Co., P.C.*

CAMPBELL, KUSTERER & CO., P.C.  
Certified Public Accountants